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SUBJECT: EU ACCESSION STATES CALL FOR REFORMS BY CURRENT MEMBERS

1. SUMMARY. DURING A CONFERENCE IN BRATISLAVA LAST WEEK, FINANCE MINISTERS FROM SIX EU ACCESSION STATES CALLED ON CURRENT EU MEMBERS TO FIND THE POLITICAL WILL TO UNDERTAKE STRUCTURAL REFORMS IN THEIR OWN AGRICULTURE SECTORS, PENSION AND TAX SYSTEMS. THE MINISTERS ALSO URGED MEMBER STATES NOT TO REDUCE TRANSFER PAYMENTS TO ACCESSION STATES, AND CRITICIZED FRANCE AND GERMANY FOR BREACHING FISCAL DEFICIT CEILING RULES UNDER THE EU'S STABILITY AND GROWTH PACT. THE TWO-DAY CONFERENCE, "ECONOMIC REFORMS FOR EUROPE," FEATURED SENIOR OFFICIALS FROM SLOVAKIA, THE CZECH REPUBLIC, SLOVENIA, LATVIA, POLAND AND MALTA, AS WELL AS AUTHORITIES FROM THE WORLD BANK, THE OECD AND THE EUROPEAN INVESTMENT BANK. PARTICIPANTS PRAISED SLOVAKIA FOR ITS RECENTLY ESTABLISHED FLAT RATE TAX SYSTEM. END SUMMARY.

2. DURING THE MARCH 18-19 CONFERENCE, SLOVAK FINANCE MINISTER IVAN MIKLOS CRITICIZED THE EU FOR FOOT-DRAGGING AND SAID HE HOPED ENLARGEMENT WOULD "DEEPEN AND SPEED UP STRUCTURAL REFORMS IN CURRENT EU STATES," THOUGH HE REMAINED SKEPTICAL MUCH WOULD CHANGE. SLOVENIAN FINANCE MINISTER DUSAN MRAMOR CRITICIZED THE EU'S COMMON AGRICULTURE POLICY, WHICH HE SAID "FORCED EU MEMBERS TO SPEND EXTENSIVE AMOUNTS OF MONEY ON FARM SUBSIDIES, INSTEAD OF PROGRAMS OF THEIR OWN CHOICE."

3. THE DELEGATES URGED THE EUROPEAN COMMISSION TO RESIST PRESSURE FROM GERMANY, FRANCE, THE UK, THE NETHERLANDS, SWEDEN AND AUSTRIA TO LOWER TRANSFER PAYMENTS FROM THE CURRENT LEVEL OF 1.24 PERCENT OF GROSS NATIONAL INCOME TO 1.0 PERCENT FOR THE PERIOD OF 2007 TO 2013. FURTHERMORE, THEY VOICED DISAPPOINTMENT WITH FRANCE AND GERMANY FOR FAILING MAINTAIN FISCAL DEFICITS WITHIN THE STABILITY AND GROWTH PACT'S LIMIT OF THREE PERCENT OF GDP. MIKLOS EXPLAINED THAT IT WAS FRUSTRATING TO UNDERGO PAINFUL REFORMS IN ORDER TO QUALIFY FOR MEMBERSHIP IN THE EURO ZONE WHEN CURRENT MEMBERS IGNORED THE RULES. MOST INCOMING EU MEMBERS, SAID THEY INTENDED TO STAY WITHIN THE EUROPEAN EXCHANGE RATE MECHANISM (ERM-2), A WAITING ROOM FOR EURO ADOPTION, FOR ONLY THE MINIMUM TWO-YEAR PERIOD. THEY FELT STAYING IN THE ERM-2 ANY LONGER WOULD OPEN THEIR CURRENCIES TO THE THREAT OF SPECULATION BY CURRENCY TRADERS.

4. SLOVAKIA RECEIVED WIDE PRAISE DURING THE CONFERENCE FOR ITS RECENTLY ADOPTED REFORMS, PARTICULARLY ITS TAX SYSTEM OVERHAUL THAT ESTABLISHED A 19 PERCENT FLAT RATE FOR PERSONAL AND CORPORATE TAXES AS WELL AS VAT, AND ELIMINATED WITHHOLDING TAXES ON DIVIDENDS. POLISH FINANCE MINISTER ANDRZEJ RACZKO SAID IT WOULD BE GREAT IF ALL 25 FUTURE EU MEMBERS COULD FOLLOW SLOVAKIA'S EXAMPLE. U.S. TAX POLICY EXPERT DANIEL MITCHELL OF THE HERITAGE FOUNDATION ADDED THAT THE COUNTRIES OF CENTRAL EUROPE HAD CHANGED HISTORY BY PURSUING TAX POLICIES THAT FUELED ECONOMIC GROWTH. THE OECD'S TAX EXPERT JEFFREY OWENS STRESSED THE SLOVAK SYSTEM WAS NOT ONLY ADVANTAGEOUS IN TERMS OF LOW INCOME TAXES, BUT ALSO EASY, FAIR AND NON-DISCRIMINATING.

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